

Message Text

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ACTION ARA-17

INFO OCT-01 ADP-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 CIEP-02

LAB-06 SIL-01 OMB-01 NSC-10 SS-15 STR-08 CEA-02

DODE-00 PM-07 H-02 L-03 PA-03 PRS-01 USIA-12 RSR-01

EUR-25 /180 W

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P 191545 Z JUN 73

FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC PRIORITY 2528

INFO USCINCSO

C O N F I D E N T I A L BUENOS AIRES 4367

CINCSO FOR POLAD

E. O. 11652: GDS

TAGS: ECON, EFIN, EGEN, AR

SUBJECT: NATIONALIZATION OF US BANKING INTERESTS IN ARGENTINA

REF: BA-4301

1. SUMMARY. THREE US BANKS APPEAR THREATENED WITH NATIONALIZATION OF THEIR EQUITY INTERESTS IN ARGENTINE BANKS. STATUS OF PENDING LEGISLATION STILL UNCLEAR. EMBASSY SEEKS DEPARTMENT APPROVAL AND GUIDANCE FOR PROPOSED DEMARCHE TO LEADING ECONOMIC OFFICIALS.

2. AVAILABLE INFORMATION CONCERNING PROPOSED ARGENTINE LEGISLATION TO NATIONALIZE CERTAIN INTERESTS OF FOREIGN BANKS PB ARGENTINA WAS SUMMARIZED IN REFTEL. IT APPEARS MOST LIKELY THAT LEGISLATION WILL BE CONSIDERED BY ARGENTINE CONGRESS ABOUT JUNE 27. SINCE ARGENTINE FOREIGN OFFICE HAS NOT YET DEMONSTRATED THAT IT PLAYS A SUBSTANTIAL ROLE IN DECISION- MAKING; THAT CONFUSION AND DISTRACTION SURROUNDING RETURN OF PERON ON JUNE 20 MAKES ACCESS TO HIGHEST GOA OFFICIALS DIFFICULT AND UNCERTAIN; THAT ONCE
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LEGISLATION ENTERS CONGRESS THERE IS HIGH PROBABILITY THAT IT WILL RECEIVE VERY PROMPT RUBBER STAMP APPROVAL AND RELATIVE NEARNESS OF PROBABLE CONGRESSIONAL ACTION COMBINED WITH SITUATION IN WHICH DAYS OF JUNE 20, 21, 23 AND 24 ARE NON- WORK DAYS LEAVES US LIMITED MANEUVERING ROOM, EMBASSY NEEDS TO MOVE RELATIVELY QUICKLY IF USG IS TO ATTEMPT TO MODIFY IMPACT OF ARGENTINE MOVE AGAINST FOREIGN BANKS , INCLUDING US BANKS.

3. IN CIRCUMSTANCES EMBASSY PROPOSES VERBAL DEMARCHES BY AMBASSADOR AND DCM WITH ECONOMIC CZAR, MINFIN, JOSE GELBARD AND DCM AND/ OR ECOM COUNSELOR TO GOMEZ MORALES, PRESIDENT OF CENTRAL BANK. IN SUCH MEETINGS WE WOULD ATTEMPT TO SMOKE OUT INTENTION OF GOA AND, MORE PRECISLY, THE NATURE OF INTENDED ACTION AGAINST FOREIGN BANKS. WE WOULD SEEK TO CLARIFY, ONCE MORE, USG POLICY VIS- A- VIS EXPROPRIATION, WHICH SO OFTEN OF LATE HAS BEEN REITERATED BY HIGH USG OFFICIALS, NAMELY THAT USG RECOGNIZES RIGHT OF OTHER GOVERNMENTS TO EXPROPRIATE US PRIVATE SECTOR INVESTMENT WHEN THIS IS DONE IN NON- DISCRIMINATORY FASHION AND WITH ADEQUATE AND PROMPT COMPENSATION.

4. WE UNDERSTAND THAT ACTION IS BEING TAKEN ONLY AGAINST THE FOREIGN INTERESTS THAT HAVE PURCHASED EQUITY IN PRIVATE ARGENTINE BANKINGS SINCE 1966. OSTENSIBLY SPANISH, GERMAN AND BRITISH INTERESTS ARE ALSO AFFECTED THOUGH THEIR INVESTMENT MUCH LESS THAN THAT OF CHASE MANHATTAN, MORGAN GUARANTY AND FNCB OF NEW YORK WHICH ARE THREE US BANKS INVOLVED. THE LEGAL OR OTHER BASIS FOR ARGENTINE ACTION IN ESTABLISHING 1966 AS BASE DATE IS NOT CLEAR. OTHER ARGENTINE BANKS ARE KNOWN TO HAVE BEEN PURCHASED BY SPANISH AND FRENCH INTERESTS ABOUT 1963. THESE ARE APPARENTLY NOT TO BE AFFECTED. FORTUNATELY, THE STATUS OF INVESTMENTS BY US BANKS AND OTHERS IN WHOLLY- OWNED BRANCHES, REGARDLESS OF DATE OF THE INVESTMENT, DO NOT APPEAR TO BE THREATENED BY RECENT MEASURES.

5. DURING PROPOSED CALLS UPON ARGENTINE OFFICIALS WE WOULD NOTE THAT WHEN AMERICAN BANKS PURCHASED EQUITY IN ARGENTINE BANKS, IT WAS DONE IN ALL CASES WITH THE APPROVAL OF THE CENTRAL BANK AND OFTEN WITH THE STRONG ENCOURAGEMENT OF THAT INSTITUTION, AS WE UNDERSTAND IT, TO RELIEVE DIFFICULT CIRCUMSTANCES ARISING FROM THE IMMINENT FAILURE OR NEAR FAILURE OF THE PURCHASED INSTITUTIONS. WE WOULD SEEK TO INVESTIGATE ARGENTINE VIEWS ON CIRCUMSTANCES

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SURROUNDING THE INITIAL INVESTMENTS AND THE REASONS WHY THE RELATIVELY INSIGNIFICANT FOREIGN INVESTMENTS IN ARGENTINE BANKS IS SEEN AS CONTRARY TO THE PUBLIC INTEREST. WE WOULD URGE THAT, IF ACTION IS TAKEN, EVERY ATTEMPT BE MADE TO AVOID DISCRIMINATION AND PROVIDE FOR ADEQUATE AND PROMPT COMPENSATION.

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